

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ADP-00 EB-11 TRSE-00 OMB-01 CIAE-00

DODE-00 PM-09 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03

RSC-01 PRS-01 SS-15 USIA-12 RSR-01 /123 W

----- 027209

R 101300 Z APR 73

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 7891

INFO AMEMBASSY LONDON

AMCONSUL CAPE TOWN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 1157

E. O. 1165 2: N/ A

TAGS: EFIN, PFOR, RH, UK, SF

SUBJECT: RHODESIA DOUBLE TAXATION CONVENTION

REF: STATE 64445; CAPE TOWN 256

CAPE TOWN FOR EMBASSY

SUMMARY: WEEKEND PRESS REPORTS RHODESIAN TERMINATION DOUBLE TAX AGREEMENTS SEVERAL COUNTRIES TO PAVE WAY FOR NEW TAXES ON FOREIGN SHAREHOLDERS' DIVIDENDS AND FOREIGN FIRMS' RHODESIAN BRANCH PROFITS. PRESS SEES SA FIRMS AS MOST AFFECTED, WITH NEW TAXES WIPING OUT PART ALTHOUGH NOT ALL THEIR GAIN UNDER CURRENCY REALIGNMENT IN CONVERSION RHODESIAN PROFITS TO RANDS.

1. RHODESIA HERALD APRIL 6 AND SUMDAY TIMES (JOHANNESBURG) APRIL 8 SHED LIGHT ON RHODESIAN REGIME LETTER, SUBJECT REFTELS. ACCORDING THESE NEWS REPORTS, REGIME FINANCE MINISTER WRATHALL ANNOUNCED IN PARLIAMENT APRIL 5 BILL TO IMPOSE NEW TAXES ON NON- RESIDENT SHAREHOLDERS' DIVIDENDS AND PROFITS FOREIGN FIRMS' BRANCH OFFICES. TAX RATE TO BE 15 O/ O BOTH CASES, RETROACTIVE TO APRIL 1. WRATHALL ADDED IT HAD BEEN NECESSARY TERMIN-
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ATE DOUBLE TAXATION AGREEMENTS WITH BRITAIN, SWEDEN, DENMARK, UNITED STATES, SWITZERLAND, NORWAY, FRANCE AND THE NETHERLANDS TO PAVE WAY FOR INTRODUCTION BILL. (RHODESIA HERALD STATES TERMINATION AGREEMENTS UK, SWEDEN AND DENMARK EFFECTIVE APRIL 1, 1973, WHILE OTHERS EFFECTIVE APRIL 1, 1974 RPT 1974). ACTION ON TAX AGREEMENT WITH SOUTH AFRICA REPORTEDLY NOT REQUIRED BECAUSE IT COMPATIBLE WITH PROPOSED NEW TAXES.

2. ARTICLES, BEING POUCHED AF/ S, REPORT ADDITIONAL DETAILS. WRATHALL ESTIMATED OUTFLOW OF EARNINGS OF FOREIGN INVESTMENT WOULD BE ABOUT 50 MILLION RHODESIAN DOLLARS IN 1973/74 FISCAL YEAR. PROPOSED TAXES EXPECTED YIELD RHODESIAN DOLLARS 6.5 MILLION. ACCORDING SUNDAY TIMES, TAX ON BRANCH PROFITS TO BE AFTER EXISITING 40 O/O COMPANY TAX DEDUCTED.

3. SUNDAY TIMES SEES SOUTH AFRICAN FIRMS AND SHAREHOLDERS AS MOST AFFECTED, LISTING NUMBER OF FIRMS, EG. SA BREWERIES ESTIMATED TO LOSE RAND 270,000 A YEAR ON EARNINGS FROM ITS SUBSIDIARY, RHODESIAN BREWERIES. NOTES, HOWEVER, SA SHAREHOLDERS HAD BENEFITTED FROM CURRENCY REALIGNMENT WHEN RHODESIAN CURRENCY EARNINGS CONVERTED TO RAND AND NEW TAXES WOULD WIPE OUT ONLY PART OF THIS GAIN.
HURD

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*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 10 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973PRETOR01157
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: PRETORIA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1973/newtext/t19730438/aaaahzgb.tel
Line Count: 91
Locator: TEXT ON-LINE
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 64445, 73 CAPE TOWN 256
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by worrelsw>; APPROVED <31-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 971215
Subject: RHODESIA DOUBLE TAXATION CONVENTION
TAGS: EFIN, PFOR, RH, SF, UK
To: AF
CAPE TOWN
JOHANNESBURG
LONDON
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

